

1 State of Arkansas *As Engrossed: H2/19/25*

2 95th General Assembly

A Bill

3 Regular Session, 2025

HOUSE BILL 1065

4

5 By: Representatives Ray, Achor, Andrews, Barker, Beaty Jr., Beck,
6 Bentley, S. Berry, Breaux, Brooks, A. Brown, K. Brown, M. Brown, N.
7 Burkes, R. Burkes, Joey Carr, John Carr, Cavanaugh, C. Cooper, Cozart,
8 Eaton, Eaves, Gonzales, Gramlich, Hawk, Holcomb, Hollowell, Hudson,
9 Jean, Long, Lundstrum, Lynch, Maddox, McAlindon, McClure, McCollum,
10 McGrew, B. McKenzie, S. Meeks, Milligan, Pilkington, R. Scott
11 Richardson, Richmond, Rose, Rye, Schulz, Torres, Underwood, Unger,
12 Wing, Wooten

13 By: Senator J. Dismang

14

For An Act To Be Entitled

15
16 AN ACT TO CREATE THE INFLATION REDUCTION ACT OF 2025;
17 TO AMEND THE STATE INCOME TAX LAWS; TO REMOVE THE CAP
18 ON INCREASES TO THE STANDARD DEDUCTION AND INDIVIDUAL
19 INCOME TAX TABLES DUE TO INFLATION; TO TIE INCREASES
20 OF THE STANDARD DEDUCTION AND INDIVIDUAL INCOME TAX
21 TABLES TO A REGIONAL INDEX OF THE CONSUMER PRICE
22 INDEX; FOR OTHER PURPOSES.

23

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Subtitle

25
26 TO CREATE THE INFLATION REDUCTION ACT OF
27 2025.

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29 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF ARKANSAS:

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31 SECTION 1. DO NOT CODIFY. Title.

32 This act shall be known and may be cited as the "Inflation Reduction
33 Act of 2025."

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35 SECTION 2. Arkansas Code § 26-51-201(d)(2), concerning the method of
36 annually adjusting the tables that determine the amount of individual income



1 tax due, is amended to read as follows:

2 (2) For purposes of subdivision (d)(1) of this section, the
3 cost-of-living adjustment for a calendar year is the percentage, if any, by
4 which the CPI for the current calendar year exceeds the CPI for the preceding
5 calendar year, ~~not to exceed three percent (3%)~~. The CPI for any calendar
6 year is the average of the Consumer Price Index as of the close of the
7 twelve-month period ending on August 31 of such calendar year. "Consumer
8 Price Index" means the last Consumer Price Index for ~~All Urban Consumers~~ the
9 West South Central division of the South Region published by the United
10 States Department of Labor.

11

12 SECTION 3. Arkansas Code § 26-51-430(c), concerning the indexing of
13 the standard income tax deduction to inflation, is amended to read as
14 follows:

15 (c)(1) The Secretary of the Department of Finance and Administration
16 shall increase annually the standard deduction provided under subsection (b)
17 of this section by the cost-of-living adjustment for the current calendar
18 year, rounding the amount to the nearest ten dollars (\$10.00).

19 (2)(A)(i) For purposes of subdivision (c)(1) of this section,
20 the cost-of-living adjustment for a calendar year is the percentage, if any,
21 by which the Consumer Price Index for the current calendar year exceeds the
22 Consumer Price Index for the preceding calendar year, ~~not to exceed three~~
23 ~~percent (3%)~~.

24 (ii) If the Consumer Price Index for the current
25 calendar year does not exceed the Consumer Price Index for the preceding
26 calendar year, the standard deduction shall not be adjusted under this
27 subsection for that year.

28 (B) The Consumer Price Index for a calendar year is the
29 average of the Consumer Price Index as of the close of the twelve-month
30 period ending on August 31 of that calendar year.

31 (C) As used in this subsection, "Consumer Price Index"
32 means the most recent Consumer Price Index for ~~All Urban Consumers~~ the West
33 South Central division of the South Region published by the United States
34 Department of Labor.

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36 SECTION 4. EFFECTIVE DATE. Sections 2 and 3 of this act are effective

1 for tax years beginning on or after January 1, 2025.

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/s/Ray

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